

BANK INDONESIA REGULATION
NUMBER 16/17/PBI/2014
CONCERNING
FOREIGN EXCHANGE TRANSACTIONS AGAINST RUPIAH
BETWEEN BANKS AND FOREIGN PARTIES

BY THE GRACE OF GOD ALMIGHTY

GOVERNOR OF BANK INDONESIA,

- Considering:
- a. that the objective of Bank Indonesia is to achieve and maintain the stability of Rupiah;
 - b. that the stability of Rupiah, among others influenced by the stability of Rupiah exchange rate, requires the support of a healthy financial market particularly the domestic foreign exchange market in order to maintain the sustainability of national economic activities;
 - c. that in order to maintain the sustainability of national economic activities it requires efforts to deepen the domestic foreign exchange market by giving flexibilities for economic actors, including foreign parties, in performing foreign exchange transactions against Rupiah;
 - d. that Bank Indonesia's role is required to encourage the deepening of foreign exchange market through a comprehensive regulation, particularly in relation to foreign exchange transactions against Rupiah performed between Banks and Foreign Parties;
 - e. that based on considerations as referred to in letter a, letter b, letter c, and letter d, it is necessary to establish Bank Indonesia Regulation concerning Foreign Exchange Transactions against Rupiah between Banks and Foreign Parties;

In view ...

In view of:

1. Act Number 23 Year 1999 concerning Bank Indonesia (State Gazette of The Republic of Indonesia Year 1999 Number 66, Supplement to the State Gazette of The Republic of Indonesia Number 3843) as amended several times most recently by Act Number 6 Year 2009 concerning Stipulation of Government Regulation in Lieu of Act Number 2 Year 2008 on the Second Amendment to Act Number 23 Year 1999 concerning Bank Indonesia to become Act (State Gazette of The Republic of Indonesia Year 2009 Number 7, Supplement to the State Gazette of The Republic of Indonesia Number 4962) 23 Year 1999 concerning Bank Indonesia (State Gazette of The Republic of Indonesia Year 1999 Number 66, Supplement to the State Gazette of The Republic of Indonesia Number 3843) as amended several times lastly by Act Number 6 Year 2009 concerning Stipulation of Government Regulation in Lieu of Act Number 2 Year 2008 on the Second Amendment to Act Number 23 Year 1999 concerning Bank Indonesia to become Act (State Gazette of The Republic of Indonesia Year 2009 Number 7, Supplement to the State Gazette of The Republic of Indonesia Number 4962);
2. Act Number 24 Year 1999 concerning Foreign Exchange Flow and Exchange Rate System (State Gazette of The Republic of Indonesia Year 1999 Number 67, Supplement to the State Gazette of The Republic of Indonesia Number 3844);

DECIDES ...

DECIDES:

To issue: BANK INDONESIA REGULATION CONCERNING
FOREIGN EXCHANGE TRANSACTIONS AGAINST RUPIAH
BETWEEN BANKS AND FOREIGN PARTIES.

CHAPTER I
GENERAL PROVISION

Article 1

In this Bank Indonesia Regulation what is meant by:

1. Banks are Commercial Banks as referred to in Act Number 7 Year 1992 concerning Banking as amended by Act Number 10 Year 1998 and Sharia Banks and Sharia Business Units as referred to in Law Number 21 Year 2008 concerning Sharia Banking, including branch offices of Banks domiciled abroad although not including the offices of Commercial Banks and Sharia Banks incorporated in Indonesia operating in foreign countries.
2. Foreign Parties are:
 - a. foreign citizens;
 - b. foreign legal entities or other foreign institutions;
 - c. Indonesian citizens with status of other country's permanent resident and not domiciled in Indonesia;
 - d. Banks' offices in foreign countries of Banks having head offices in Indonesia;
 - e. Companies' offices in foreign countries of companies incorporated in Indonesia.
3. Foreign citizens are individuals that have citizenship other than Indonesia, including who have staying permits and resident permits in Indonesia.
4. Foreign Legal Entities or other Foreign Institutions which are legal entities or foreign institutions incorporated in foreign parties, but not including:
 - a. branch ...

- a. branch offices of Foreign Banks in Indonesia;
 - b. Foreign Direct Investment companies (*PMA*);
 - c. Foreign legal entities or foreign institutions of non-profit activities.
5. Foreign Exchange Transactions against Rupiah are foreign currencies purchase/sale transactions against Rupiah in the form:
 - a. spot transactions, including transactions performed by today and/or tomorrow;
 - b. standard (plain vanilla) foreign exchange derivative transactions against Rupiah in the form of forward, swap, option, and other equivalent transactions.
6. Underlying Transactions are activities underlying the purchase or sale of foreign currencies against Rupiah.
7. Lending or Financing is the provision of cash or equivalent, based on consent or agreement on lending and borrowing between Banks and other parties which require the borrowers to pay their debts after certain term by providing interest or return, including:
 - a. overdraft, i.e. negative balance in the customer's checking account that cannot be settled at the end of the day;
 - b. takeover bills for factoring activities; or
 - c. takeover bills or credit purchase from other parties.
8. Rupiah Transfer is the transfer of some Rupiah funds to the beneficiaries of funds for the interest of Banks or customers of Banks, either through cash deposits or inter-accounts transfer at the same Bank or different Banks, resulted in the increase of Rupiah account balances of the beneficiaries.
9. Debt Securities are debt instruments, notes payable, bonds, credit securities, or its respective derivative, or other interests, or a liability of the issuers, in the form of commonly traded instruments at capital and money markets, including bonds issued by multilateral institutions or supranational in which all funds from the issuance of bonds are used for the financing interest of economic activities in Indonesia, including securities based on sharia principle.
10. Spot Transactions are purchase/sale transactions between a foreign currency against Rupiah whereas the delivery of funds is performed 2

(two) business days after the date of transactions. Including in the definition of Spot Transactions are transactions of same day (today) delivery of foreign currencies or 1 (one) business day (tomorrow) delivery after the date of transaction.

11. Derivative Transactions are transactions underlied on contracts or payment agreements which values are derivative of the exchange rates in the form of forward, swap, option of foreign exchange transactions against Rupiah, and other transactions equivalent.
12. Prime Banks are banks that have certain investment ratings from the ratings agency and total assets that are included in the world top 200 (two hundred) based on information stated in the Banker's Almanac.

CHAPTER II TRANSACTION

Part One

Foreign Exchange Transactions against Rupiah

Article 2

- (1) Banks may perform Foreign Exchange Transactions Against Rupiah with Foreign Parties based on a contract.
- (2) In performing Foreign Exchange Transactions against Rupiah as referred to in paragraph (1), Banks must have written internal guidelines.

Article 3

- (1) Foreign Exchange Transactions against Rupiah performed by Banks with Foreign Parties above the threshold must have Underlying Transactions.
- (2) Underlying Transactions as referred to in paragraph (1) include all following activities of:
 - a. trades of goods and services, both domestic and overseas; and/or

b. investment ...

- b. investments in the form of foreign direct investment, portfolio investment, loans, capitals and other investments, both domestic and overseas.
- (3) Underlying Transactions as referred to in paragraph (1) excluding:
 - a. utilization of Bank Indonesia Certificates (SBI) for Derivative Transactions; and
 - b. placement of funds in the Bank (*vostro*) among others in the form of savings, demand deposits, time deposits, and Negotiable Certificate of Deposit (NCD).

Part Two

Spot Transactions between Banks and Foreign Parties

Article 4

- (1) The threshold as referred to in Article 3 paragraph (1) for the purchase of foreign currencies against Rupiah by Foreign Parties to Banks through Spot Transactions is USD100,000.00 (one hundred thousand US Dollar) or its equivalent per month per Foreign Party.
- (2) Purchase of foreign currencies against Rupiah by Foreign Parties to Banks as referred to paragraph (1) is not to exceed the nominal values of the Underlying Transactions.
- (3) In the event the nominal values of the Underlying Transactions as referred to in paragraph (2) are not in multiples of USD10,000.00 (ten thousand US Dollar), then a rounding up to the referred nominal values of the Underlying Transactions can be done in multiples of USD10,000.00 (ten thousand US Dollar).

Part Three

Derivative Transactions between Banks and Foreign Parties

Article 5

- (1) The threshold as referred to in Article 3 paragraph (1) for sale Derivative Transactions between Banks and Foreign Parties and purchase

Derivative ...

Derivative Transactions between Banks and Foreign Parties is USD1,000,000.00 (one million US Dollar) or its equivalent both per transaction per Foreign Party and per position (outstanding) of the respective sale and purchase of Derivative Transactions per Bank.

- (2) Sale of Derivative Transactions between Banks and Foreign Parties as referred to in paragraph (1) are not to exceed the nominal values of the Underlying Transactions.
- (3) In the event the nominal values of the Underlying Transactions as referred to in paragraph (2) are not in multiples of USD10,000.00 (ten thousand US Dollar), then a rounding up shall be done to the referred nominal values of the Underlying Transactions in multiples of USD10,000.00 (ten thousand US Dollar).

Article 6

- (1) The obligation to have Underlying Transactions for the purchase of foreign currencies against Rupiah by Foreign Parties to Banks through Spot Transactions above USD100,000.00 (one hundred thousand US Dollar) or its equivalent per month per Foreign Party is not applicable for the settlements of initial Derivative Transactions that are performed through:
 - a. roll over, provided that the term of the transactions' roll over shall not exceed the term of the initial Underlying Transactions;
 - b. early termination; or
 - c. unwinding.
- (2) The obligations to have Underlying Transactions for Derivative Transactions between Banks and Foreign Parties above USD1,000,000.00 (one million US Dollar) or its equivalent per transaction per Foreign Party is applicable for settlements of initial Derivative Transactions performed through:
 - a. roll over, provided that the term of transactions' roll over shall not exceed the term of the initial Underlying Transactions;
 - b. early termination; or
 - c. unwinding of transactions.

Article 7

In the event the Underlying Transactions of the Derivative Transactions are investment as referred to in Article 3 paragraph (2) letter b, then the Derivative Transactions must meet requirements as follows:

- a. there are realization of investments;
- b. Derivative Transaction values for investments shall not exceed the values of investments realization specified in the Underlying Transaction documents;
- c. future income from the investments which amount and when to receive cannot be ascertained, are not to be used as Underlying Transactions; and
- d. the term of Derivative Transactions shall be 1 (one) week at minimum calculated based on the effective date of the Derivative Transactions up to the maturity date of the Derivative Transactions and shall not exceed the term of investments.

Article 8

- (1) Requirements of Derivative Transactions with 1 (one) week term at minimum as referred to in Article 7 letter d are excluded for forward transactions of purchases against Rupiah between Banks and Foreign Parties for the transaction settlements of investment activities.
- (2) Forward transactions of foreign currencies purchases against Rupiah between Banks and Foreign Parties for the settlements of transactions of investment activities as referred to in paragraph (1) must meet the following requirements:
 - a. term of forward transaction for purchases of foreign currencies against Rupiah between Banks and Foreign Parties shall be the same with the term of transaction settlements of investment activities; and
 - b. the effective date of forward transactions of foreign currencies purchases against Rupiah between Banks and Foreign Parties or the maturity date of the referred forward transaction for purchase

shall ...

shall be the same as the effective and maturity dates of the transaction settlements of the investment activities.

Article 9

Incomes from investments includes income already received and will be received (future income).

Article 10

In the event there will be future incomes from investments as referred to in Article 9 whereas the amount and timing to receive can be ascertained, then, if Derivative Transactions are performed, they must meet the following requirements:

- a. derivative transactions may only be performed through forward transactions of foreign currencies sales against Rupiah between Banks and Foreign Parties;
- b. forward transactions of foreign currencies sales against Rupiah between Banks and Foreign Parties upon the income from investments received by the Foreign Parties can only be performed for a period of 1 (one) week at minimum;
- c. forward transactions of foreign currencies sales against Rupiah between Banks and Foreign Parties upon future incomes from investments by the Foreign Parties can only be performed at minimum for a term of 1 (one) week and at maximum in accordance with the period of receiving the incomes; and
- d. values of the forward transactions of foreign currencies sales against Rupiah between Banks and Foreign Parties upon the income from investments shall not exceed the values of income from investments specified in the Underlying Transaction documents.

Article 11

- (1) In the event the future incomes from investments that cannot be ascertained the amount and timing to receive them as referred to in Article ...

Article 7 letter c are in the form of dividends, derivative transactions against the referred dividends can be performed before the amount and timing to receive the income is ascertained.

- (2) In the event Derivative Transactions performed upon future incomes are in the form of dividends whereas the amount and timing to receive as referred to in paragraph (1), the Derivative Transactions must meet requirements as follows:
- a. Derivative Transactions can only be done through forward transactions of foreign currencies sales against Rupiah between Banks and Foreign Parties;
 - b. values of Derivative Transactions as referred to in letter a shall not exceed the estimated values of the dividends to be received by the Foreign Parties based on the Underlying Transaction documents;
 - c. have a term of 1 (one) week at minimum and at maximum up to the term for receiving dividends;
 - d. in the event during the term of Derivative Transactions there is a decision from the company's management giving a certainty on the amount and timing of dividends payment to be received by the Foreign Parties, Banks shall ensure that the Foreign Parties making adjustment to the amount of the Foreign Parties' Derivative Transactions at least in accordance with the dividends amount to be received by the Foreign Parties and period of Derivative Transactions in accordance with the date of dividends payment; and
 - e. Banks shall ensure that the Foreign Parties will not sell their shares whose dividends used as Underlying Transactions of Derivative Transactions up to the time limit at which the shares still have the rights on dividends placed as Underlying Transactions.

Article 12

Derivative Transactions can also be performed by Banks and Foreign Parties in order to cover hedging of Banks.

Part Four
Transactions Prohibition for Banks
Article 13

Banks are prohibited from making certain transactions with Foreign Parties which include:

- a. Lending or Financing in Rupiah and/or foreign currencies;
- b. placement in Rupiah;
- c. purchase of Securities in Rupiah issued by Foreign Parties;
- d. interoffice billings in Rupiah;
- e. interoffice billings in foreign currencies in the context of Lending or Financing overseas; and
- f. capital investment in Rupiah;

Article 14

- (1) Banks are prohibited from performing Foreign Exchange Transactions against Rupiah if the transactions or the potential transactions are related to structured product.
- (2) The prohibition as referred to in paragraph (1) is applicable to Banks as the structured product issuers or Banks as the selling agents of the structured products.

Article 15

- (1) Prohibition against Lending or Financing as referred to in Article 13 letter a is not applicable to:
 - a. Lending or Financing of non-cash or guarantees related to investment activities in Indonesia that meet requirements as follows:
 - 1. obtain counter guarantees from Prime Banks, of which are not:
 - a) branch offices of Banks overseas; and
 - b) branch offices of foreign banks both domestic or overseas;
 - or

2. availability of 100% (one hundred percent) security deposit of the value of guarantees provided.
 - b. Lending or Financing in the form of syndicate that meets requirements as follows:
 1. engage Prime Bank as the lead bank;
 2. provided for financing in the real sector for productive businesses in the territory of Indonesia; and
 3. contributions of foreign banks as the members of syndicate shall be bigger compared to the contributions of the domestic Banks.
 - c. credit cards;
 - d. domestic consumption Lending or Financing;
 - e. intraday overdrafts in Rupiah or foreign currencies supported by authenticated documents showing confirmation of incoming funds to the concerned accounts at the same day and meeting the requirements set in Bank Indonesia Circular;
 - f. overdrafts in Rupiah or foreign currencies due to administrative costs; and
 - g. takeover bills from the government appointed body for managing assets of Banks in the context of restructuring Indonesia's banking by Foreign Parties which payments are guaranteed by Prime Banks.
- (2) Prime Bank as referred to in paragraph (1) must meet requirements as follows:
- a. having investment ratings provided by ratings agencies no less than:
 1. BBB- from Standard & Poors;
 2. Baa3 from Moody's;
 3. BBB- from Fitch; or
 4. equivalent of number 1, number 2, and/or number 3 based on the assessment of other leading ratings agencies determined by Bank Indonesiabased on the assessment of long term outlook of the concerned Bank; and

b. having ...

- b. having total assets listed in the world top 200 (two hundred) based on information stated in Banker's Almanac.

Article 16

The prohibition on Securities purchase in Rupiah as referred to in Article 13 letter c is not applicable to:

- a. purchase of Securities related to the activities of goods exports from Indonesia and goods imports to Indonesia as well as domestic trades; and
- b. purchase of bank drafts in Rupiah issued by banks in foreign countries for the interest of Indonesian Workers (*TKI*) working in foreign countries and the Rupiah funds received in Indonesia not by Foreign Parties.

Part Five

Rupiah Transfer

Article 17

Banks are prohibited from making Transfers of Rupiah to foreign countries.

Article 18

- (1) Banks may perform Rupiah Transfer to accounts owned by Foreign Parties and/or to joint accounts between Foreign Parties and non Foreign Parties in a domestic Bank if:
 - a. the nominal value of the Rupiah Transfer up to the equivalent of USD1,000,000.00 (one million US Dollar) per day per Foreign Party; or
 - b. performed by inter-accounts Rupiah owned by the same Foreign Party.
- (2) With regard to Rupiah Transfer to accounts owned by Foreign Parties derived from other than Derivative Transactions with nominal value above the USD1,000,000.00 (one million US Dollar) or its equivalent per

day ...

day per Foreign Party, Banks receiving the Rupiah Transfer must ensure that the Foreign Parties have Underlying Transactions.

- (3) In the event the Rupiah Transfers to the accounts owned by Foreign Parties are in order to settle the initial Derivative Transactions through:
 - a. roll over, provided that the transactions' roll over not exceeding the term of the initial Underlying Transactions;
 - b. early termination; or
 - c. unwind of transactions,Banks are not required to request for Underlying Transactions to the Foreign Parties.
- (4) Banks receiving Rupiah Transfers which are intended to Foreign Parties must verify the status of the funds beneficiaries.

CHAPTER III

SETTLEMENTS OF TRANSACTIONS

Article 19

- (1) Settlements of Spot Transactions between Banks and Foreign Parties must be performed by full movement of funds.
- (2) Settlements of Derivative Transactions between Banks and Foreign Parties can be performed by netting or by full movement of funds.
- (3) Settlements of Derivative Transactions between Banks and Foreign Parties that can be performed by netting as referred to in paragraph (2) are only applicable for roll over, early termination, and unwinding of transactions.
- (4) Settlements for adjustment of Derivative Transactions on dividends payment as referred to in Article 11 paragraph (2) letter d can be done by netting as referred to in paragraph (3).
- (5) Term of Derivative Transactions for the settlements of roll over, early termination, and unwinding in regard to investments shall be 1 (one) week at minimum calculated based on the effective date of the Derivative Transactions up to the maturity date of the Derivative Transactions, and at maximum equal to the term of the investments.

Article 20

- (1) Settlements of Derivative Transactions between Banks and Foreign Parties by netting as referred to in Article 19 paragraph (3) with a nominal value not exceeding USD1,000,000.00 (one million US Dollar) may be performed provided that they are supported by Underlying Transactions from the initial Derivative Transactions.
- (2) In case at the time of settlements of the Derivative Transactions as referred to in paragraph (1) the Foreign Parties are not able to submit Underlying Transaction documents, the settlements of the Derivative Transactions shall be performed by full movement of funds.

CHAPTER IV

TRANSACTION DOCUMENTS

Part One

Types of Underlying Transaction Documents

Article 21

- (1) Types of Underlying Transaction documents shall be determined by Bank Indonesia.
- (2) The determination of documents types as referred to in paragraph (1) shall be regulated further in a Bank Indonesia Circular.

Part Two

Documents of Spot Transactions between Banks and Foreign Parties

Article 22

- (1) In the event the Foreign Parties make purchases of foreign currencies against Rupiah to Banks through Spot Transactions with a nominal value above USD100,000.00 (one hundred thousand US Dollar) or its equivalent per month per Foreign Party as referred to in Article 4 paragraph (1), Banks must ensure that the Foreign Parties submit documents as follows:

a. Underlying ...

- a. Underlying Transactions documents that can be accounted for, both that are final and in the estimated form; and
 - b. Supporting documents in the form of authenticated written statement from the Foreign Parties containing information on:
 - 1. the authenticity and validity of the Underlying Transaction documents as referred to in letter a; and
 - 2. the utilization of Underlying Transaction documents for the purchase of foreign currencies against Rupiah not exceeding the nominal value of the Underlying Transactions in the banking system in Indonesia;
 - 3. the total needs, purpose of utilization, and date of foreign currencies utilization, in case of the Underlying Transaction documents as referred to in letter a are in the estimated form.
- (2) In the event Foreign Parties make purchases of foreign currencies against Rupiah to Banks through Spot Transactions not exceeding USD100,000.00 (one hundred thousand US Dollar) or its equivalent per month per Foreign Party as referred to in Article 4 paragraph (1), Banks must make sure that the Foreign Parties submitting supporting documents in the form of authenticated written statement declaring that the purchase of foreign currencies against Rupiah not exceeding USD100,000.00 (one hundred thousand US Dollar) or its equivalent per month per Foreign Party in the banking system in Indonesia.

Part Three

Derivative Transaction Documents between Banks and Foreign Parties

Article 23

- (1) In the event Banks perform Derivative Transactions with Foreign Parties above USD1,000,000.00 (one million US Dollar) or its equivalent per transaction per Foreign Party as referred to in Article 5 paragraph (1), Banks must ensure that the Foreign Parties submitting documents as follows:

a. Underlying ...

- a. Underlying Transaction documents that can be accounted for, both final and in the estimated form; and
 - b. supporting documents in the form of authenticated written statement from the Foreign Parties containing information on:
 1. the authenticity and validity of Underlying Transaction documents as referred to in letter a; and
 2. the utilization of Underlying Transaction documents for Derivative Transactions not exceeding the nominal value of Underlying Transactions in the banking system in Indonesia;
 3. the total needs, purpose of utilization, and date of foreign currencies utilization, in case the Underlying Transaction documents as referred to in letter a in the form of estimation of foreign currencies purchases against Rupiah;
 4. the source of funds, total sales, and the date of foreign currencies availability, in case the Underlying Transaction documents as referred to in letter a in the estimated form of foreign currencies purchases against Rupiah.
- (2) In the event the Foreign Parties perform settlements of Derivative Transactions with nominal value not exceeding USD1,000,000.00 (one million US Dollar) by netting as referred to in Article 20 paragraph (1), the Foreign Parties must submit documents as referred to in paragraph (1).

Part Four

Rupiah Transfer Documents

Article 24

In the event there are Rupiah Transfer to Foreign Parties derived from other than Derivative Transactions above USD1,000,000.00 (one million US Dollar) per day per Foreign Party as referred to in Article 18 paragraph (2), the Bank receiving the Rupiah Transfer referred to shall ensure that the Foreign Parties submitting Underlying Transaction documents that can be accounted for.

Part...

Part Five

Submission of Documents

Article 25

- (1) Banks shall ensure the Foreign Parties submit Underlying Transaction documents and/or supporting documents of Foreign Exchange Transactions against Rupiah for the purchases of foreign currencies against Rupiah through Spot Transactions as referred to in Article 22 and Derivative Transactions as referred to in Article 23 on the date of transaction for every transaction;
- (2) Underlying Transaction documents and supporting documents as referred to in paragraph (1) for Spot Transactions must be received by Banks no later than the value date.
- (3) Underlying Transactions documents and supporting documents as referred to in paragraph (1) for Derivative Transactions must be received by Banks no later than 5 (five) business days after the transaction date.
- (4) In the event the Derivative Transactions as referred to in paragraph (3) have Underlying Transactions in the form of goods and service trading activities both domestic and overseas as referred to in Article 3 paragraph (2) letter a having a maturity date less than 5 (five) business days after the transaction date, the Underlying Transaction documents and the supporting documents of the Derivative Transactions referred to must be received by Banks no later than the date of maturity.
- (5) Underlying Transaction documents and supporting documents of Derivative Transactions up to the threshold which settlements will be performed by netting should be received by Banks no later than:
 - a. on the value date in the context of roll over, early termination, and unwinding performed through Spot Transactions;
 - b. 5 (five) business days after the transaction date in the context of roll over, early termination, and unwinding performed through Derivative Transactions; or
 - c. on maturity date in the context of roll over, early termination, and unwinding performed through Derivative Transactions that have Underlying Transactions in the form of domestic and overseas

goods ...

goods and service trading activities having maturity date less than 5 (five) business days.

- (6) Underlying Transactions documents for Rupiah Transfer as referred to in Article 24 should be received by Banks no later than at the time the addition of Rupiah funds from Foreign Parties takes place.

Article 26

- (1) Banks can receive supporting documents of Foreign Exchange Transactions against Rupiah submitted by the Foreign Parties regularly with the following conditions:
 - a. The Underlying Transaction documents are final; and
 - b. Banks have already known well the track record of the Foreign Parties.
- (2) In the event Banks perform the custodian functions and meet the conditions as referred to in paragraph (1), the supporting documents can be received from the Foreign Parties at least 1 (one) time in 1 (one) calendar year.
- (3) In the event Banks do not perform the custodian functions and the Foreign Parties meet the conditions as referred to in paragraph (1), the supporting documents can be received at least 1 (one) time in 1 (one) calendar month.
- (4) Banks can receive supporting documents submitted by the Foreign Parties on foreign currencies purchases against Rupiah through Spot Transactions not exceeding USD100,000.00 (one hundred thousand US Dollar) or its equivalent per month per Foreign Party at least 1 (one) time in 1 (one) month.

Article 27

- (1) Banks must administer the documents of Underlying Transactions and/or the supporting documents as referred to in Article 22, Article 23, and Article 24.

(2) The ...

- (2) The administration of Underlying Transaction documents and/or the supporting documents as referred to in paragraph (1) constitutes part of the written internal guidelines of Banks in performing Foreign Exchange Transactions against Rupiah as referred to in Article 2 paragraph (2).

CHAPTER V

REPORTING OF TRANSACTIONS

Article 28

In the context of the reporting of Foreign Exchange Transactions against Rupiah, Banks shall refer to the regulation that governs daily reports of commercial banks.

CHAPTER VI

SANCTIONS

Article 29

Banks that violate regulation as referred to in Article 2 paragraph (2), Article 22 paragraph (2), and Article 27 paragraph (1) shall be imposed an administrative sanction in the form of a written warning.

Article 30

- (1) Banks that violate regulation as referred to in Article 3 paragraph (1), Article 4 paragraph (2), Article 5 paragraph (2), Article 5 paragraph (4), Article 7, Article 8 paragraph 2, Article 10, Article 11 paragraph (2), Article 13, Article 14 paragraph (1), Article 15 paragraph (2), Article 17, Article 18 paragraph (2), Article 19 paragraph (1), Article 22 paragraph (1), Article 23 paragraph (1), Article 23 paragraph (2), Article 24, Article 25 paragraph (2), Article 25 paragraph (3), Article 25 paragraph (4), Article 25 paragraph (5), and/or Article 25 paragraph (6) shall be imposed an administrative sanction in the form of a written warning and a financial penalty of 1% (one percent) from the nominal value of

the ...

the violated transaction for every violation, with a penalty of no less than Rp10.000.000,00 (ten million rupiah) and no greater than Rp1.000.000.000,00 (one billion rupiah).

- (2) The calculation of nominal value of the violated transaction as referred to in paragraph (1) shall be regulated as follows:
 - a. the different between the total of nominal value of foreign exchange transactions against Rupiah with threshold of Underlying Transactions fulfillment obligation; or
 - b. the total of nominal value of Foreign Exchange Transactions against Rupiah not supported by Underlying Transactions in terms of nominal value below the threshold but netting is performed.
- (3) Calculation of the financial penalty as referred to in paragraph (1) shall use Jakarta Interbank Spot Dollar Rate (JISDOR) on the date the violation takes place.

CHAPTER VII TRANSITIONAL PROVISIONS

Article 31

- (1) Banks that have performed Foreign Exchange Transactions against Rupiah with Foreign Parties prior to the enactment of this Bank Indonesia Regulation may continue the referred transactions up to the maturity date of the transactions.
- (2) Derivative Transactions performed prior to the enactment of this Bank Indonesia Regulation and having maturity date after the enactment of this Bank Indonesia Regulation, their settlements can be done by netting for:
 - a. transactions' roll over, provided that the roll over no longer than the term of the initial Underlying Transactions;
 - b. early termination; or
 - c. unwinding.
- (3) The regulation on settlements of transactions by netting as referred to in paragraph (2) shall refer to this Regulation of Bank Indonesia.

CHAPTER VIII

CLOSING

Article 32

The implementing regulation of this Bank Indonesia Regulation shall be governed further in a Bank Indonesia Circular.

Article 33

At the time this Bank Indonesia Regulation comes into force:

- a. Bank Indonesia Regulation Number 7/14/PBI/2005 concerning Restrictions of Rupiah Transactions and Foreign Currency Lending by Banks (State Gazette of The Republic of Indonesia Year 2005 Number 50 and Supplement to the State Gazette of The Republic of Indonesia Number 4504);
- b. Bank Indonesia Regulation Number 14/10/PBI/2012 on the Amendment to Bank Indonesia Regulation Number 7/14/PBI/2005 concerning the Restrictions of Rupiah Transactions and Foreign Currencies Lending by Banks (State Gazette of The Republic of Indonesia Year 2012 Number 157 and Supplement of the State Gazette of The Republic of Indonesia Number 5335);
- c. Bank Indonesia Regulation Number 16/9/PBI/2014 concerning the Second Amendment to Bank Indonesia Regulation Number 7/14/PBI/2005 concerning the Restrictions of Rupiah Transactions and Lending of Foreign Currencies by Banks (State Gazette of The Republic of Indonesia Year 2014 Number 70 and Supplement to the State Gazette of The Republic of Indonesia Number 5525);

are revoked and declared invalid.

Article 34

This Bank Indonesia Regulation comes into force on 10 November 2014.

- 23 -

For public cognizance ordering the promulgation of this Bank Indonesia Regulation by placing it in the State Gazette of The Republic of Indonesia.

Issued in Jakarta

on 17 September 2014

GOVERNOR OF BANK INDONESIA,

AGUS D. W. MARTOWARDOJO

Enacted in Jakarta

on 17 September 2014

MINISTER OF LAW AND HUMAN RIGHTS

REPUBLIK INDONESIA,

AMIR SYAMSUDIN

STATE GAZETTE OF THE REPUBLIC OF INDONESIA YEAR 2014

NUMBER 213

DPM

ELUCIDATION
ON
BANK INDONESIA REGULATION
NUMBER 16/17/ PBI/ 2014
CONCERNING
FOREIGN EXCHANGE TRANSACTION AGAINST RUPIAH
BETWEEN BANKS AND FOREIGN PARTIES

I. GENERAL

As a central bank mandated by law to carry out the purpose in achieving and maintaining the stability of Rupiah, Bank Indonesia has formulated various policies intended for the achievement of such purpose including efforts to encourage the deepening of financial market in particular the domestic foreign exchange market. The deepening of domestic foreign exchange market constitutes a measure that needs to be conducted through the provision of clearer transaction guidelines and flexibility for economic actors in performing foreign exchange transactions to support national economic activities. In connection with that, Bank Indonesia needs to make improvements to the regulations related to Foreign Exchange Transactions against Rupiah between Banks and Foreign Parties, through a comprehensive regulation to minimize Foreign Exchange Transactions against Rupiah that are speculative in manner and by continuously supporting activities smoothness in the real sector.

II. ARTICLE BY ARTICLE

Article 1

Self explanatory

Article 2

Paragraph (1)

What is meant by “contract” is a written confirmation showing occurring transactions which among others is in

the ...

the form of dealing conversation, SWIFT, or other written confirmations.

Paragraph (2)

Self explanatory

Article 3

Paragraph (1)

Self explanatory

Paragraph (2)

Letter a

Trading of goods, domestic and overseas, among others is in the form of business activities of foreign exchange traders.

Letter b

What are meant by “foreign direct investments” are direct investments of Customers to foreign countries.

Paragraph (3)

Self explanatory

Article 4

Self explanatory

Article 5

Self explanatory

Article 6

Self explanatory

Article 7

Letter a

What is meant by “investment realization” is the inflow of funds from Foreign Parties for completion of investment activities, including investments still in the process of completion.

Letter b

Self explanatory

Letter c

What are meant by “future incomes” among others are capital gain, dividend, coupon, and interest.

Letter d

Self explanatory

Article 8

Self explanatory

Article 9

Incomes from investments already received dan incomes that will be received among others are capital gain, dividend, coupon, and interest.

Article 10

Self explanatory

Article 11

Paragraph (1)

Self explanatory

Paragraph (2)

Letter a

Self explanatory

Letter b

Self explanatory

Letter c

Self explanatory

Letter d

Self explanatory

Letter e

For shares traded on the stock exchange, what is meant by “time limit of shares that still have rights for dividends” is *cum date*, i.e. period end of stocks trading on the stock exchange with dividend rights.

Article 12

What is meant by “cover hedging” is when a Bank performs hedging to a Foreign Party/bank in a foreign country on hedging performed by the Bank’s customer to the concerned Bank by

Underlying Transaction possessed by the referred Bank's customer.

Article 13

Letter a

Self explanatory

Letter b

What is meant by "placement" is placement of Banks' funds to other Banks in the form of demand deposit, interbank call money, time deposit, certificates of deposit, Lending or Financing, and other equivalent placement of funds.

Letter c

Self explanatory

Letter d

What are meant by "interoffice billings" are all bills held by Banks against their head offices or branch offices in foreign countries both for the interest of Banks and customers, namely:

1. for branch offices of foreign banks in Indonesia, the bills are from branch offices of foreign banks in Indonesia towards head offices and/or other branch offices overseas;
2. for banks with head offices in Indonesia, the bills are from the head offices and/or branch offices in Indonesia against branch offices overseas.

Letter e

Self explanatory

Letter f

What are meant by "capital investments" are placements of Banks' funds in the form of stocks in Banks and other companies in the financial sector as regulated in the applicable laws and regulations, such as leasing companies, venture capitals, securities companies, insurances, and clearing institutions for settlements and storages, including investment in the form of convertible bonds with equity options ...

options or certain type of transactions which results in the concerned Banks to own stocks or will own stocks in the Banks and/or companies engaging in other financial sector.

Article 14

Paragraph (1)

What are meant by “structured products” are products issued by Banks which are a combination of various instruments with Derivative Transactions of foreign currencies against Rupiah for the purpose of gaining additional income (return enhancement) that can encourage Foreign Exchange Transactions against Rupiah for speculative purposes and can cause Rupiah instability;

Paragraph (2)

Including Banks acting as sales agents of offshore structured products related to foreign exchange against Rupiah.

Article 15

Paragraph (1)

Letter a

Self explanatory

Letter b

1. What is meant by “lead banks” are banks that have roles as the coordinators for the members of syndicates;
2. What is meant by “real sector” is the sector of production and trading of goods and services, but not including financial service sector such as purchase and sale of Securities.
3. Self explanatory

Letter c

Including the type of credit cards for the purchase of production goods (procurement card)

Letter d

What is meant by “Consumption Lending or Financing” is Lending or Financing for domestic consumption needs by purchasing, leasing, or other ways, including therein Lending or Financing for the ownership of Housing, Apartments, *Ruko* (home concurrently store) and *Rukan* (home concurrently office) as well as of Credit or Financing of vehicles ownership.

Letter e

What is meant by authenticated documents are documents in which the identity of the senders, content of the message or order, and confidential code of the referred documents have been agreed by the parties, so that they can only be confirmed or verified by the message/order recipients individually.

Letter f

Self explanatory

Letter g

This provision is subject to the regulation issued by the authorities on prudential principle in regard to Lending or Financing by Banks.

Paragraph (2)

Self explanatory

Article 16

Letter a

What is meant by “purchase of Securities related to the activities of goods export from Indonesia and goods import to Indonesia” is the purchase of Export Drafts/Money Orders and Banker’s Acceptance on the basis of Letter of Credit (L/C) or non-L/C transactions.

What is meant by “purchase of Securities related to domestic trading” is the purchase of Drafts/Money Orders or Banker’s Acceptance on the basis of Letter of Credit with Domestic Document (*SKBDN*) transactions.

Letter ...

Letter b

Self explanatory

Article 17

Self explanatory

Article 18

Paragraph (1)

Self explanatory

Paragraph (2)

Self explanatory

Paragraph (3)

Self explanatory

Paragraph (4)

What is meant by “status of fund recipients” is the status of the funds recipients as Foreign Parties or non Foreign Parties.

Article 19

Paragraph (1)

What is meant by “full movement of funds” for Foreign Exchange Transactions against Rupiah is the transfer of funds in real terms for each sale transaction and/or purchase transactions of foreign exchange against Rupiah in nominal full value of transaction or its equivalent.

Paragraph (2)

Self explanatory

Paragraph (3)

Self explanatory

Paragraph (4)

Self explanatory

Paragraph (5)

Self explanatory

Article 20

Self explanatory

Article 21

Self explanatory

Article 22

Paragraph (1)

Letter a

What is meant by "final documents of Underlying Transactions" are documents that will not change in terms of amount and/or timing for fulfilling its needs.

Letter b

What is meant by "authenticated statements" are statements that are already verified or their validity proven by the system.

Paragraph (2)

What is meant by "authenticated statements" are statements that are already verified or their validity proven by the system.

Article 23

Paragraph (1)

Letter a

What is meant by "final documents of Underlying Transactions" are documents that will not change in terms of amount and/or timing for fulfilling their needs.

Letter b

What is meant by "authenticated statements" are statements that are already verified or their validity proven by the system.

Paragraph (2)

Self explanatory

Article 24

Self explanatory

Article 25

Self explanatory

Article 26

Self explanatory

Article 27

Self explanatory

Article 28

Self explanatory

Article 29

Self explanatory

Article 30

Self explanatory

Article 31

Self explanatory

Article 32

Self explanatory

Article 33

Self explanatory

Article 34

Self explanatory